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SUBJECT: EDUCATIONAL OUTREACH AND ECONOMIC FAMILIARIZATION WITHIN
AGRICULTURAL REGIONS OF SOUTHERN BRAZIL

¶1. (U) SUMMARY. In an effort to increase consular outreach and deepen understanding of economic conditions in the diverse Sao Paulo Consular District, two consular officers completed a driving tour of the interior portions of the states of Parana and Sao Paulo. Outreach goals were addressed through meetings with Bi-National Centers in Curitiba and Londrina in Parana state. To gauge economic conditions in the interior, the officers focused on economic activity linked to agriculture. Conoffs toured the largest paper mill in Brazil and visited a successful agricultural cooperative. Parana proved to be a relatively prosperous state that is successfully using its agricultural sector as an engine for growth.
END SUMMARY.

FACILITATING TRAVEL FOR STUDENTS

¶2. (U) During meetings with advisors at the bi-national centers in Curitiba and Londrina, Parana, the officers discussed the visa application process as it applies to students, provided updated contact information for the section, and solicited feedback on student experiences with the visa process. Advisors were encouraged to inform their students of the current waiting time for interviews and the need for advance planning. Finally, the officers emphasized the U.S. Government's continued commitment to facilitate travel for students with a legitimate interest in studying in the United States.

PAPER PRODUCTION

¶3. (U) Paper and pulp production is a growing industry throughout Brazil, and the Klabin mill, located near Ponta Grossa in north-eastern Parana, is the largest paper mill in the country. The factory is primarily dedicated to the production of paper for food containers, e.g., milk and fruit juices. It produces approximately 2,000 tons of paper per day, half of which is exported, mainly to Asia and Europe.

¶4. (U) The company has over 100,000 hectares of planted forest in the state of Parana. The mill uses a mixture of 50% eucalyptus and 50% pine for its container paper. Company representatives said that the practice of mixing the quick-growing eucalyptus with pine gives the Brazilian producer an advantage over other world-wide competitors. Eucalyptus grows at a rate of 41m3 per hectare per year, whereas pine grows at a rate of only 28m3 per hectare per year. Moreover, Klabin is able to harvest three times from a single eucalyptus trunk before having to replant. While the company has enough wood to meet its own demand, it also contracts local farmers to plant pulp trees to get "buy-in" from the local community regarding wood production and to help guarantee adequate future supply.

¶5. (U) Over the last year, the Klabin Company also began

construction of a new mill adjacent to the existing site. The new plant will double current production. Interestingly, despite production growth, direct hires at the current mill have fallen from over 2,000 to less than 1,200 due to investments in new technology.

A DIVERSE AGRICULTURAL COOPERATIVE

¶6. (U) The Cocamar Cooperative is a well-organized farmer cooperative located in Maringa in north-western Parana. It has over 6,000 associated farmers and directly employs over 1,000 people. A primary goal of the cooperative is to engage directly in product processing and marketing so that farmers are able to retain a significant portion of the value added to their products. Toward this end, Cocamar has enjoyed more success than most other Brazilian cooperatives. It processes and markets under its own label a wide variety of agricultural products that includes oranges, coffee, soy beans, sugar cane and even small amounts of silk. In fact, local silk and cotton help supply the cooperative's clothing manufacturing operation. The relative importance of this activity has been reduced as regional cotton production has declined over the past decades. Even so, the cooperative continues to innovate; for example, defective plastic grain-oil bottles are reused as primary material for clothing manufacture.

¶7. (U) The Cocamar Cooperative also strives to make family farming a viable business model. Most of the member farms are smaller than 100 hectares (about 250 acres). Cocamar leaders perceive a lack of rural labor as one of the greatest coming challenges for the region's farming sector. Urban migration is a common phenomenon throughout Brazil, and Cocamar executives worry that it is an increasing threat to agricultural production. As a result, they promote the family farm model, where a diversity of crops on a single farm can employ several year-round workers, as opposed to

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large mono-crop operations, which require large numbers of temporary workers at peak times of the year.

CONSULAR INSIGHTS

¶8. (U) ConGen Sao Paulo covers six states with an area equivalent to that of the western United States (Washington, Oregon, Montana, California, Idaho, Nevada and Utah). Within such a large area, there are widely divergent levels of economic development and poverty. This tour of one of the richest agricultural areas of Brazil reinforced the contrast between the southern states of Sao Paulo and Parana with their northern neighbor, Minas Gerais (which Sao Paulo covers solely for NIV purposes). With the exception of the southern border region, the small and medium-sized communities within central and northern Minas Gerais are visibly less prosperous than similar, agricultural-based communities within Sao Paulo and Parana.

¶9. (U) Outside of overall regional impressions, it is often difficult for visa officers to determine the economic situation of applicants who do not receive an officially registered salary. This problem is aggravated by the Brazilian tendency to underreport earnings for tax purposes. Farmers are a particularly problematic group. In order to help with decision-making, the discussions with the Cocamar, individual farmers and USDA representatives yielded some useful points of reference to help with consular decision making:

-- Based on current export prices, an acre of producing coffee plants yields approximately US\$1,000 in profit annually.

-- Cocamar producers claimed that a good living could be made with a little over 10 hectares of established orange groves (in Parana a tree can produce 150kg of fruit a year, as opposed to only 100kg in Florida).

-- Sugar cane is the 'hot' product because of the increased international and domestic demand for ethanol. Returns from investment in sugar cane are expected to be high and large tracts of land are being converted to its production. This is especially true

in northern Parana and in Sao Paulo State.

-- Cigarette producers have negotiated strict production limits with individual farmers to diversify production sources. Each farmer is allowed only two hectares of production; however, such small plots are highly lucrative and can provide enough income to sustain an entire family.

The cost of living in Parana is significantly lower than in metropolitan Sao Paulo. The cost of items such as food, clothing and even housing in Parana are a fraction of the comparative cost in the city of Sao Paulo.

COMMENT

110. (U) Due to a mix of factors, including drought, availability of credit, and the relatively high current value of the Brazilian Real on world foreign exchange markets (which hurts even small, non-export oriented farmers as local commodity buyers still price in dollars), Brazil's agricultural sector remains in what is generally described as a state of crisis (see septel on the Consul General's trip to the far west of southern Brazil). Nonetheless, the cooperative model seems to be thriving in the state of Parana, and Conoffs have noted that numerous cooperative farmers have successfully applied for visas in the last year to attend agricultural events and exchanges in the United States. Moreover, the Sao Paulo Consulate has a long-standing history with an agricultural student exchange program run by a Sao Paulo cooperative. Finally, the impression of both cooperative and USDA representatives was that the 'state of crisis' in Brazilian agriculture within the states of Sao Paulo and Parana was only relative when compared against the extremely favorable conditions enjoyed by these farmers over the past few years. END COMMENT.